

Message Text

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UNCLAS SECTION 1 OF 2 EC BRUSSELS 11424

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: PROPOSED EC PRICES AND OTHER MEASURES FOR 1976/77 (III): DAIRY,

BEEF AND OTHER SECTORS

REF: (A) EC BRUSSELS 11315, (B) EC BRUSSELS 11316, (C) EC A-417

1.SUMMARY: AS PARTS OF ITS 1976/77 PRICE PACKAGE, THE COMMISSION HAS PROPOSED SEVERAL MEASURES IN THE DAIRY SECTOR AIMED BOTH AT RESTORING MARKET EQUILIBRIUM AND REDUCING THE MOUNTAIN OF NON-FAT DRY MILK POWDER (NFDM) STOCKS. THESE PROPOSED MEASURES INCLUDE OBLIGATORY INCORPORATION OF NFDM IN ANIMAL FEEDS, DONATION OF 200,000 TONS F NFDM FOR OOD AID IN 1976, AND CHANGES IN THE NFDM INTERVENTION SYSTEM. THE COMMISSION HAS PROPOSED THE PHASED ELIMINATION OF BEEF SLAUGHTER PREMIUMS, SOME CHANGES IN THE BEEF INTERVENTION SYSTEM, AND AN INCREASE IN THE TOBACCO BUYERS PREMIUMS. CERTAIN MEASURES FOR FRUITS AND VEGETABLES, SEEDS, LINSEED, AND SUGAR AND AN INCREASED FEOGA CONTRIBUTION TO THE "MOUNTAIN FARMING" SUBSIDY PROGRAM ARE ALSO PROPOSED.

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THIS IS THE THIRD AND LAST OF THE MISSION'S REPORTS ON THE COM-

MISSION'S PACKAGE OF PROPOSED PRICES AND OTHER MEASURES FOR 1976/77. THE GENERAL LEVEL OF INCREASE AND PROPOSED CHANGES IN THE MONETARY COMPENSATORY AMOUNTS WERE DISCUSSED IN REF. A. THE PROPOSED CHANGES IN THE GRAIN CAP WERE DISCUSSED IN REF. B. END SUMMARY.

2. DAIRY: THE CURRENT IMBALANCE BETWEEN SUPPLY AND DEMAND IN THE DAIRY SECTOR IS OBVIOUSLY THE AREA OF GREATEST CONCERN TO THE COMMISSION. FURTHERMORE, THE COMMISSION FORECASTS A WORSENING OF THE IMBALANCE OVER THE NEXT FIVE YEARS-- IN THE ABSENCE OF CORRECTIVE MEASURES. REFLECTING THIS CONCERN, THE COMMISSION HAS PROPOSED DAIRY PRICE INCREASES OF ONLY 1-2 PERCENT AT THE BEGINNING OF THE 1976/77 MARKETING YEAR (3/1/76). HOWEVER, LARGER INCREASES ARE PROPOSED FOR SEPTEMBER 16, 1976 SO THAT TOTAL PRICE INCREASES FOR DAIRY PRODUCTS FOR 1976/77 WOULD RANGE FROM ABOUT 5-6.5 PERCENT. ALSO, THE COMMISSION HAS PROPOSED A MORE THAN 20 PERCENT HIKE IN THE UK BUTTER SUPPORT PRICE (AT PRESENT, ABOUT 30 PERCENT) BELOW THE COMMON SUPPORT PRICE). FINALLY, IT SHOULD BE NOTED THAT THERE IS NO ELEMENT OF "CORESPONSIBILITY" ATTACHED TO THE SECOND STAGE INCREASE. THE COMMISSION HAD ORIGINALLY PROPOSED IN THE STOCKTAKING REPORT THAT IMPLEMENTATION OF THE SECOND STAGE INCREASE BE ELIMINATED OR REDUCED IF SUPPLY GREATLY EXCEEDED DEMAND. THIS FEATURE OF "CORESPONSIBILITY" HAS NOT BEEN RETAINED.

3. THE COMMISSION HAS ALSO PROPOSED THE REPLACEMENT OF THE INTERVENTION

PRICE FOR NFDM BY AN ORIENTATION (OR GUIDE PRICE, EFFECTIVE SEPTEMBER

16, 1976. IT IS NOT EXACTLY CLEAR WHAT THIS CHANGE WILL ENTAIL; HOWEVER,

THE COMMISSION INTENDS TO INSTITUTE SOME SORT OF TENDER SYSTEM FOR THE PURCHASE OF NFDM BY INTERVENTION AGENCIES. ON THE BASIS OF BIDS MADE WITHIN THIS SYSTEM A MAXIMUM PURCHASE PRICE WILL BE FIXED. THE EXACT FUNCTION OF THE ORIENTATION PRICE WITHIN THIS SYSTEM IS NOT SPELLED OUT BUT PRESUMABLY IT WOULD SERVE AS AN INDICATOR OF THE PRICE THAT DAIRIES SHOULD RECEIVE FOR NFDM. ALTHOUGH THIS PROPOSAL WOULD APPEAR TO GIVE THE COMMISSION GREATER FLEXIBILITY IN THEIR SUPPORT PRICE POLICIES, IN SUM THE PRICE PROPOSALS SEEM UNLIKELY TO PROVIDE MUCH PUSH TOWARDS RESTORATION OF A BALANCED DAIRY MARKET.

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4. THUS, TO SUPPLEMENT THESE PROPOSALS, THE COMMISSION ALSO PROPOSES THE MEASURES LISTED BELOW, WHICH AIM BOTH AT BRINGING THE LEVEL OF DELIVERIES TO DAIRIES IN LINE WITH THE LEVEL OF CONSUMPTION OF MILK PRODUCTS AND AT REDUCING THE "MOUNTAIN" OF NFDM STOCKS ALREADY ACCUMULATED BY INTERVENTION AGENCIES:
(A) INTRODUCTION OF A SUBSIDY OF 15 U.A. /100 KG. FOR THE PRODUCTION OF WHOLE MILK POWDER.

(B) OBLIGATORY INCORPORATION OF NFDM IN MIXED FEEDS. THE COMMISSION ENVISAGES AN OBLIGATORY RATE OF INCORPORATION OF 2 PERCENT (PRESUMABLY WITH RESPECT TO TOTAL MIXED FEED PRODUCTION) APPLIED OVER A LIMITED BUT UNSPECIFIED PERIOD; THEY HOPE TO DISPOSE OF 600,000 TONS OF NFDM IN THIS MANNER. THE COMMISSION FURTHER PROPOSES TO KEEP THE SUBSIDY FOR FEEDING OF NFDM WITHIN THE EXISTING RANGE OF 30 TO 40 U.A. /100 KG (IT IS CURRENTLY 36.50 U.A. /100 KG). UNDER THESE CONDITIONS, THE DISPOSAL OF THE STOCKS WILL COST THE EC AN ESTIMATED 225 MILLION U.A. IF, HOWEVER,

THE SUBSIDY FOR FEEDING NFDM WERE INCREASED SUFFICIENTLY TO ENABLE IT TO COMPETE WITH OTHER PROTEIN FEEDS, THE COMMISSION ESTIMATES THAT DISPOSAL OF THE 600,000 TONS WOULD COST 450 MILLION U.A.

(C) CHANGES IN THE SUBSIDIES FOR THE FEEDING OF LIQUID SKIM MILK SO AS TO SUSTAIN AND, ULTIMATELY, INCREASE ITS USE. THE CHANGES ARE NOT SPECIFIED.

(D) MODIFICATION OF EC REGULATIONS TO PERMIT PARTIAL COMMUNITY FINANCING FOR NATIONAL PROGRAMS SUBSIDIZING THE USE OF MILK IN SCHOOLS. EXISTING EC REGULATIONS ALREADY AUTHORIZE MEMBER STATES TO ADOPT SUCH PROGRAMS.

(E) DONATION OF 200,000 TONS OF NFDM FOR FOOD AID IN 1976. THE COMMISSION ESTIMATES THAT 3/4'S OF THIS AMOUNT CAN BE DELIVERED BEFORE THE END OF 1976.

(F) PAYMENT OF SUBSIDIES FOR THE WITHHOLDING OF MILK FROM THE MARKET (APPARENTLY CERTAIN OTHER, UNSPECIFIED CONDITIONS WILL BE ATTACHED TO THE GRANTING OF THESE SUBSIDIES). THE AMOUNT OF SUBSIDY WILL DEPEND ON THE SIZE OF THE OPERATION AS FOLLOWS:
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AMOUNT DELIVERED IN 1976	AMOUNT OF AID
LESS THAN 30,000 KG.	14 U.A./100 KG.

30,000 TO 60,000 KG.	12 U.A. /100 KG.
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60,000 TO 120,000 KG.	10 U.A. /100 KG.
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THE COMMUNITY WILL FINANCE 50 PERCENT OF THESE SUBSIDIES.

(G) REVISION OF THE SYSTEM OF PRIVATE STORAGE OF BUTTER. THE COMMISSION PROPOSES, EFFECTIVE SEPTEMBER 16, 1976, TO ELIMINATE THE LINKAGE BETWEEN SUBSIDIES FOR PRIVATE STORAGE OF BUTTER AND THE BUTTER INTERVENTION PRICE. INSTEAD, THESE SUBSIDIES ARE TO BE DETERMINED

ON THE BASIS OF A TENDER SYSTEM. IN ADDITION, THE COMMISSION PROPOSES TO CONTINUE CONSUMER SUBSIDIES ON BUTTER PRODUCED IN THE COMMUNITY AND RECOMMENDS THAT THE EC CONTRIBUTION TO THIS PROGRAM BE INCREASED. AT PRESENT, A SUBSIDY OF 45 U.A./100 KG. CAN BE APPLIED BY THE MEMBER STATES (OF WHICH THE EC WILL PAY 9.25 U.A./KG). HOWEVER, THE COMMISSION EXPRESSES ITS INTENTION TO DISCONTINUE THE SALE OF BUTTER AT REDUCED PRICES FOR USE IN FOOD MANUFACTURING (EXCEPT FOR SUBSIDIES FOR PASTRY MANUFACTURE FOR WHICH A RE-EXAMINATION IS URGED).

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PASS AGRICULTURE

5. BEEF AND VEAL: THE COMMISSION'S PROPOSALS IN THE BEEF AND VEAL SECTOR ARE BASED ON THE EXPECTATION THAT MARKET PRICES WILL BE RELATIVELY HIGH IN THE NEXT MARKETING SEASON, PARTICULARLY DURING THE FIRST HALF OF 1976 AND 1977, RESPECTIVELY. IN THIS CONNECTION, THE COMMISSION WANTS TO ENCOURAGE PRIVATE STORAGE TO SUPPORT THE MARKET RATHER THAN RELY ON PUBLIC INTERVENTION BUYING OR PREMIUMS. THE ORIENTATION PRICES PROPOSED FOR THE U.K. AND IRELAND ARE 12.6 HIGHER THAN LAST SEASON AND THOSE FOR THE OTHER MEMBER STATES, 8 PERCENT HIGHER. THE INCREASES IN INTERVENTION PRICES WOULD BE ONLY marginally LESS, SO AS TO

REPRESENT 90 PERCENT OF THE GUIDE PRICE (AS OPPOSED TO 90.43 PERCENT LAST YEAR). ALSO, WITH THE AIM OF MAKING INTERVENTION BUYING LESS ATTRACTIVE, THE COMMISSION FEELS THAT COEFFICIENTS USED FOR CALCULATING BUYING-IN PRICES SHOULD BE SET FOR PARTICULAR CATEGORIES LOOKING AT THE WHOLE COMMUNITY SITUATION. ACCORDING TO A COMMISSION OFFICIAL HANDLING BEEF, THIS MEANS THAT THE COMMISSION WOULD BE RELUCTANT TO TRY TO IMPROVE THE MARKET SITUATION IN ONE MEMBER STATE FOR A PARTICULAR BEEF CATEGORY IF THIS WOULD MEAN SETTING INTERVENTION PRICES FOR THAT CATEGORY AT SUCH A RATE AS TO ENCOURAGE INTERVENTION BUYING-IN OTHER MEMBER STATES WHERE THE MARKET SITUATION IS NORMAL.

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IN ADDITION, THE COMMISSION INTENDS TO CONTINUE TO SET AND SEASONALLY ADAPT INTERVENTION PRICES FOR A VARIETY OF BEEF CATEGORIES (QUALITY, CUTS, ETC.) AS IT DOES NOW. THESE MEASURES ARE DESIGNED TO ADD MORE FLEXIBILITY TO THE SYSTEM OF INTERVENTION BUYING.

6. IN LIGHT OF THE EXPECTED IMPROVEMENT IN MARKET TRENDS, THE COMMISSION DOES NOT WANT TO CONTINUE THE SYSTEM OF SLAUGHTER PREMIUMS NEXT YEAR. HOWEVER, IT DOES NOT EXCLUDE THE POSSIBILITY OF APPLYING SUCH PREMIUMS IN THE EVENT OF ANOTHER UPSWING IN THE BEEF PRODUCTION CYCLE. IN ORDER TO PHASE OUT THE PREMIUM SYSTEM THE COMMISSION PROPOSES THE FOLLOWING TRANSITIONAL STEPS:

- REDUCTION OF (FEOGA-FINANCED) SLAUGHTER PREMIUMS FROM 28 U.A. PER HEAD TO 18 U.A. FOR THE MONTH OF FEBRUARY, 1976 AND TO 10 U.A./HEAD IN MARCH, 1975.
- REDUCTION OF NATIONAL PREMIUMS FROM A MAXIMUM AMOUNT OF 52 U.A./PER HEAD IN FEBRUARY TO 34 U.A. IN MARCH AND 18 U.A. IN APRIL 1976.
- PREMIUMS FOR THE BIRTH OF CALVES (FOR ITALY'S BENEFIT) WOULD RETAINED AT THE SAME LEVEL OF 56 U.A./CALF (FEOGA-FINANCED) FOR EACH ADMINISTRATIVE REGION FOR UP TO A 12-MONTH PERIOD (BEGINNING FROM THE DATE THE SYSTEM BECAME EFFECTIVE IN THE PARTICULAR REGION) AND WOULD BE TERMINATED NO LATER THAN FEBRUARY 28, 1977. THE EXTENSION IS TO HELP ITALY "RECONSTITUTE" ITS LIVESTOCK HERD.

7. IN ORDER TO AVOID DISTORTIONS IN INTRA-COMMUNITY TRADE BETWEEN OLD AND NEW MEMBER STATES, THE COMMISSION PROPOSES TO USE MARKET PRICES FOR EXPORTING MEMBERS RATHER THAN GUIDE PRICES AS THE BASIS FOR CALCULATING ACCESSION COMPENSATORY AMOUNTS. THE COMMISSION ALSO SUGGESTS THAT THE COUNCIL DECIDE BY THE BEGINNING OF THE 1976/77 ON THE POSSIBILITY OF PRE-FIXING THE EXPORT SUBSIDIES.

8. FRUITS AND VEGETABLES: THE COMMISSION HAS PROPOSED THE GRANTING OF GRUBBING UP PREMIUMS FOR GOLDEN DELICIOUS APPLES AND PASSE CRASSANE PEARS OF 1,100 U.A. PER HECTARE. THE GOAL IS THE GRUBBING UP OF 6,250 HECTARES OF APPLE ORCHARDS AND 8,000 HECTARES OF PEARS BY APRIL 1977. FEOGA WOULD BEAR HALF THE COST OF THIS PROGRAM,

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10. OTHER:

LINSEED--THE COMMISSION PROPOSES TO REPLACE THE PER HECTARE SUBSIDY NOW GRANTED FOR LINSEED WITH A PRICE SUPPORT SYSTEM SIMILAR TO THAT APPLIED FOR SOYBEANS. A TARGET PRICE OF 290 U.A./M.T. IS PROPOSED. UNDER THE EXISTING SYSTEM, THE PER HECTARE SUBSIDY IS GRANTED INDISCRIMINATELY FOR PRODUCTION OF LINSEED OR FLAX. THE SUBSIDY FOR FLAX WILL CONTINUE ON A PER HECTARE BASIS. TOBACCO--AVERAGE PRICE INCREASES OF 5 PERCENT AND AN AVERAGE INCREASE IN BUYERS' PREMIUMS OF ABOUT 8 PERCENT ARE PROPOSED. HOWEVER, THIS AVERAGE HIDES SHARP DIFFERENCES IN THE TREATMENT OF THE DIFFERENT VARIETIES. PROPOSED PRICE INCREASES RANGE FROM 1 PERCENT (NOSTRANO, BENEVENTANO, KENTUCKY) TO 6 PERCENT. THE PROPOSED INCREASES IN PREMIUMS RANGE FROM NO CHANGE FOR THE ORIENTAL TOBACCOS (FOR WHICH MARKET PRICES ARE CURRENTLY WELL ABOVE EC TARGET PRICES) TO 15 PERCENT FOR VIRGINIA.

AIDS TO MOUNTAIN AND OTHER "DISFAVORED" FARMING REGIONS: THE COMMISSION PROPOSED THAT THE COMMUNITY'S CONTRIBUTION TO THE FUNDING OF THIS PROGRAM, WHICH WAS INTRODUCED IN APRIL 1975, BE INCREASED. FEOGA NOW PAYS ONLY 25 PERCENT OF THESE AIDS. SUGAR--THE EC FORESEES THE POSSIBILITY OF SURPLUS DISPOSAL PROBLEMS; ASSUMING NORMAL YIELDS AND THE SAEM HARVESTED AREA FOR EC PRODUCTION AND TAKING INTO ACCOUNT THE EC'S OBLIGATION TO IMPORT ACP SUGAR, THE EC MIGHT NEED TO EXPORT 2 MILLION TONS OF SUGAR IN 1976/77. THEREFORE, THE COMMISSION PROPOSES TO REDUCE THE MAXIMUM PRODUCTION QUOTA FROM 145 TO 135 PERCENT. OF THE BASE QUOTA AND TO RETAIN THE POSSIBILITY OF APPLYING A MAXIMUM 30 PERCENT LEVY ON SUGAR IN EXCESS OF THE BASIC PRODUCTION QUOTA. THIS LEVY (WHICH IS RELATED TO THE DISPOSAL COST OF SURPLUS SUGAR) WAS FIXED A PRIORI AT ZERO FOR THE 1975/76 MARKETING YEAR. THE COMMISSION ALSO PROPOSES THAT ACP SUGAR BE INCLUDED IN CALCULATING THE EC MINIMUM STOCK REQUIREMENT (SEE REF. D) AND THAT IT BE GRANTED AUTHORITY TO EXCLUDE RAW SUGAR FOR REFINING FROM INWARD PROCESSING ARRANGEMENT.

SILKWORMS-- LAST AND PERHAPS LEAST, THE COMMISSION PROPOSES THE ADOPTION OF A SUPPLEMENTARY SUBSIDY TO PRODUCERS GROUPS TO ENCOURAGE THEM TO MARKET THEIR COCOONS IN COMMON. THIS WOULD BE IN ADDITION TO THE SUBSIDY ALREADY GRANTED TO ALL SILKWORM RAISERS.

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